

Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 CAB-09 CIAE-00 COME-00 DODE-00

DOT-00 INR-11 NSAE-00 RSC-01 FAA-00 L-03 DRC-01

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3082

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E.O. 11652: N/A

TAGS: EAIR, UK

SUBJ: CIVAIR - COLLAPSE OF COURT LINE

1. ALL MAJOR UK PAPERS AUGUST 16 CARRY HEADLINES REPORTING COLLAPSE OF COURT LINE. FIVE HOLIDAY FIRMS CONTROLLED BY COURT (CLARKSONS, HORIZON HOLIDAYS, 4S, 4S SPORTS AND AIRFAIR WERE ORDERED BY COURT'S MANAGING DIRECTOR TO CEASE OPERATION EVENING AUGUST 15. INSOLVENCY CAME AFTER SIX WEEKS OF CONTINUED LOSSES FOLLOWING INITIAL RESCUE OPERATION BY UK GOVERNMENT JUNE 26. FLIGHTS OF COURT LINE AVIATION WERE GROUNDED FROM MIDNIGHT AUGUST 15.

2. THE DEPARTMENT OF TRADE LAST NIGHT SAID: QUOTE. THE GOVERNMENT HAD BEEN LED TO BELIEVE BY COURT LINE THAT THE PLAN ANNOUNCED BY THE SECRETARY OF STATE FOR INDUSTRY (MR. ANTHONY WEDGWOOD BENN) ON JUNE 26 TO PURCHASE COURT LINE SHIPBUILDING WOULD ALSO PROVIDE COURT LINE'S LEISURE AND AVIATION OPERATIONS, WITH SUFFICIENT LIQUIDITY TO OPERATE AS AN ONGOING CONCERN. . . . IT BECAME STEADILY MORE APPARENT THAT THE GROUP'S LEISURE AND AVIATION ACTIVITIES HAD ENTERED INTO A NETWORK OF LIABILITIES AND COMMITMENTS WHICH WERE LEADING
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INEVITABLY TO INSOLVENCY. . . . UNQUOTE.

3. ACCORDING TO REPORTS ABOUT 40,000 PEOPLE ARE CURRENTLY ON HOLIDAYS UNDER PROGRAMS OPERATED BY THE GROUP. IN ADDITION, THERE ARE SOME 100,000 PROSPECTIVE HOLIDAYMAKERS WHO HAVE ALREADY PAID FOR TOURS.

4. THE CIVIL AVIATION AUTHORITY HAS SAID THAT IT IS WORKING CLOSELY WITH THE ASSOCIATION OF BRITISH TRAVEL AGENCIES AND BRITISH AIRLINES TO ENSURE THAT COURT LINE'S CUSTOMERS ABROAD WILL BE BROUGHT HOME. COST OF THIS OPERATION WAS SAID TO BE COVERED PRINCIPALLY BY 3 1/2 MILLION POUND BOND COURT (AS OTHER TRAVEL FIRMS) WAS REQUIRED TO DEPOSIT AS GUARANTEE IN CASE OF COLLAPSE.

5. FOREGOING MAY BE OF INTEREST TO DEPARTMENT, AND CAB IN VIEW OF PENDING COURT LINE FOREIGN AIR CARRIER PERMIT APPLICATION. IN ADDITION, SINCE CLARKSON HAS BEEN OPERATING TOURS TO US, THERE MAY BE SOME TRAVELERS PRESENTLY IN US WHO WILL BE AFFECTED.

SOHM

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